

Europe's politicians must reform the EU's patent regime if its businesses are to be able to compete in a globalised world, argue **Paul-Alexander Wacker** and **Rainer A Kuhnen** of **Kuhnen & Wacker**

A manifesto for patent reform

Many businesses in Europe want politicians to overhaul European policies on IP so that they can better compete with rivals in the US and Asia. They have a number of demands, ranging from a Community patent and a unified patent litigation system to reforms that would help SMEs to protect their rights.

Community patent

Only if the Community patent comes into effect will we have a unitary patent system in Europe, with a Community patent having the same effect throughout the territory of the EU (27 member states) as the existing Community trade mark and Community design.

A Community patent would be uniform and autonomous, offer a single title, be affordable and legally secure. An important barrier to the Community patent so far has been debates about the language regime. One possible solution would be to use machine translations (which would not have legal effect).

A Community patent regime could also allow national patent offices across Europe to assist in search work. One advantage of the having a Community patent would be that centralized examination before the EPO could replace individual procedures in member states. This would result in financial savings for applicants.

If a Community patent becomes a reality then a specialised European patent court could quickly and reliably decide on infringement and validity issues and its decisions would be enforceable throughout Europe. Such a court would have a number of advantages over the present system in which European patents are litigated in each country in which they are validated (see box).

Today's businesses cannot wait for another 30 years to see whether the plans of the Commission will come true or not. It is unfair for patent owners and users that the egotistical behaviour of member states when it comes to deciding the language regime and the fee regime of any Community patent has so far prevented European integration in this area. While in the US the disadvantages of the country's patent system and the long pendency are compensated by a very efficient Trade Secret Act, in Europe Community-wide trade secret legislation is not even under consideration.

The benefits of delayed examination

Germany is the only remaining country with a system that postpones examination for seven years. Most of the countries that have adopted the German patent system have in the meantime changed the system of postponed examination to a maximum of three years, even though a regular examination takes three to five years (for example in Japan, Korea and China).

However, in all those countries there is more flexibility with respect to amending claims. That means that the problem of inadmissible broadening is only exercised in the EPO to such an extent that many patents (including economically important ones) are declared invalid because of formalistic reasons and are lost for economic exploitation.

Why should examiners spend their valuable time examining unimportant patents while the grant of important patents gets delayed – which limits their economic exploitation?

In Germany it is in the applicant's discretion whether he requests an early or late

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He was born in 1943 and studied electrical engineering at the Technical University of Munich with a focus on high-voltage engineering and telecommunications and computer-integrated manufacturing. In parallel to his education as a patent attorney he studied law at the Ludwig Maximilian University of Munich.

In 1975 he was admitted to the patent bar and formed the IP law firm Kuhnen & Wacker in Freising with Rainer Kuhnen. The firm gained a reputation for handling sophisticated cases such as *Epilady v Remington*. Kuhnen & Wacker has run seminars in Germany, Chicago, Tokyo and Nagoya at which Wacker is a regular lecturer.

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He is frequently invited to lecture on German and European patent practice by US and Japanese law firms and schools including the John Marshall Law School in Chicago, and the George Mason University in Washington DC. Rainer Kuhnen was the responsible attorney for the landmark case *Epilady v Remington* and has been selected to appear in the Legal Media Group's Guide to the World's Leading Patent Law Experts since 2005.

Key features of a pan-European specialist patent court

A unified patent litigation system should offer patent owners a cheaper and quicker way of enforcing their rights in Europe. Some of the key features and advantages of such a system are listed below:

- The court would cover the EU and its 27 member states and other EPO-contracting states
- Centralised infringement litigation and revocation or nullity actions concerning European and Community patents
- Exclusive jurisdiction in central, regional and local divisions in first instance
- Bifurcation: litigation would be local while revocation remains central
- Exclusive jurisdiction in a common Court of Appeal
- Owners of existing European patents can opt out during a transitional period
- A pool of technically and/or legally qualified and multilingual judges
- Multinational and experienced panels in both instances
- Link to the European Court of Justice (further review, cassation)
- Litigants could be represented by European patent attorneys
- Local divisions could be financed by member states and regional divisions by related groups of member states
- It would act as an academy (with training on the job in experienced patent tribunals)
- Substantive law and procedural law would be based upon existing instruments (Brussels I, EPC, Enforcement Directive)
- Strict eligibility criteria for the appointment of judges (with the involvement of an advisory committee)
- Plaintiff determines the forum (which would lead to competition between divisions)
- Review clause: likelihood that divisions with insufficient case numbers will be shut down
- Decisions would have EU-wide effect (or effect in states where the European patent is in force)
- Enforceable across the entire EU
- Development of a unified case law

examination, depending on his economic interest. Applications that are of interest to third parties will be examined immediately upon request of the third parties. This means that German examiners are used very efficiently. The applicant does not have to spend time and money for the examination of applications with low interest.

It is inevitable that leading IP countries will need to reconsider how many examiners they have, as well as the goal of issuing patents before the 18th month, as long as this ideal is so far away from the reality that important inventions are left without protection for many years. The only way out of this dilemma is the postponed examination system combined with a quick and efficient right similar to Germany's utility model protection.

Moreover the so-called examination highway would become more balanced by the common use of the five-year postponed examination. Examiners around the world could be used in a more efficient way. This is also true for the examination of prior art in different languages.

Neither examiners nor SMEs are able to study the entire relevant prior art in all languages to issue reliable patents as regards validity. First of all it should become possible that the prior art will be searched in countries able to search at least in English, Japanese, Korean, Chinese, Russian, Spanish, German, French, Italian and Hebrew to cover most of the international relevant prior art. This could be done by supplementary searches of at least PCT applications as soon as the

examiners in countries where those languages are spoken would be released from examining unimportant patents.

Moreover, it would be of great benefit to applicants to gain a new chance for independent searches before filing (today this is available in Denmark and Finland, and formerly in Germany and the EPO), so as to more easily avoid prior art applications – which burden many examiners in many countries and incur avoidable cost.

The permanent online access to the files of pending patent applications in the same patent family between patent offices, before an examination starts, could help examiners to trace prior art and speed up the examination procedure.

The permanent online access to all files of pending and granted patent applications would allow third parties to obtain their own opinion on the relevance of a specific application to their product or method.

Post-grant opposition procedures could help to combine the efforts and the efficiency of the examiners and the public. A maximum period for post-grant opposition, revocation and nullity requests of five years could on the one hand allow interested third parties to cut down overly broad claims and obtain more legal certainty, and on the other hand, after this period, give more legal certainty to patentees who want to invest more in reliable granted patents (as formerly in Germany).

Utility model advantages

Moreover, the existing German utility model could be an example for a Community utility model, which would improve the European IP system. We suggest it should be based on the following elements: there should be a possibility that it can be branched off from a pending European or PCT or German national patent application; registration should typically be about six to eight weeks after filing without examination as to merits; the maximum duration should be 10 years; plaintiffs should be able to obtain a preliminary injunction; there should be absolute novelty only in cases of written disclosure (insular novelty for public prior use, no prior art of verbal or broadcast disclosure); and there should be six months' grace period for a non-prejudicial own disclosure preceding the priority date and/or six months' priority period from the display of an invention at a trade fair.

The needs of SMEs

SMEs also suffer from the high costs of prosecuting patents in Europe. These may be lowered when more countries accede to the London Agreement, and/or machine translations are allowed. Moreover, the high flat fees charged by European representatives (reflecting the large amounts of official fees to be forwarded) may be lowered using services such as automatic debiting and direct filing.

SMEs in Europe suffer from a number of disadvantages when it comes to protecting their IP rights. Some of the most important are:

- SMEs do not have enough financial resources to protect their few ideas while at the same time defending themselves against rivals who are ignorant of their IP rights.
- SMEs do not have enough financial support for R&D expenses from their governments.
- SMEs still do not properly value IP that they have created themselves in their balance sheets. This is more likely to make them targets of unfriendly takeovers, rather than improving their capital basis.
- SMEs do not get fee reductions at the EPO and in most national patent offices (in comparison with applicants in France, the US and Canada). The EPO's new fee structure of the EPO actually acts the other way around.

- SMEs cannot sell and lease back their IP rights into countries in which royalty income is tax free (as they can do in Delaware and Utah in the US).
- SMEs cannot deduct 200% of their R&D expenses from their income tax to improve their financial basis for further R&D expenses (as they can in the UK and to some extent in Denmark).
- SMEs do not have a six- or 12-month inventor's grace period in Europe.
- SMEs have to contend with Europe's complicated language infrastructure.
- SMEs do not have the staff resources that would enable them to forum shop when it comes to litigating their rights in Europe, even though they employ a majority of workers in Europe – even during a recession.
- SMEs still have a major, but decreasing, share (formerly 70% now 40%) of new patent applications and represent 95% of patent applicants.
- SMEs have IP rights that are of great interest to major international competitors.
- SMEs are able to react quickly and flexibly to new market challenges and new technologies.
- SMEs create new high-tech jobs in a multitude of businesses in response to market demands; but
- SMEs are still not in the true focus of politicians and economic lobbyists and they still have not recognized the global need for improving Europe's advantage out of its SMEs.

Time for a new European IP policy

It is important to avoid duplication in the international patent system. To this end, together with the various prosecution highways (and Patent Law Treaty and Substantive Patent Law Treaty), it seems necessary to introduce a system in which

The German utility model

With the ability to branch off one or more utility models in Germany, it becomes possible to start infringement litigation within a few weeks after registration and with new claims that are even better suited to cover the infringement than the patent claims on file. That is one reason why Germany has become not only the centre of innovation in Europe (accounting for 40%), but also its litigation centre (80%). In a unified Europe it is, however, insufficient to have an effective legal system in Germany alone. It is essential to have a harmonised system in Europe as well.

Many states in Europe with a utility model system do not, however, have the advantages of the German system. Politicians have not yet recognized that it has become of vital interest for business to be able to protect and exploit their intellectual assets as quickly as possible in a world of globalised access to publicly available knowledge.

examination is deferred for more than three years.

A pan-European court system is necessary to harmonise litigation and revocation case law throughout Europe. It is good to see that progress is being made in this respect.

A unitary Community patent will bring Europe into line with other large federal entities such as the US. The sooner this happens the better, and our hopes have been raised by a possible agreement on machine translations. However, national systems of protection also have their merits. Roman and Germanic types of patents and utility models both have their advantages, especially for SMEs. We should make both available to applicants, as they are in Germany.

At present, filing an application through the EPO is the most cost-effective way to achieve patent protection throughout Europe. However, as compared to, for example, a US patent, official fees and attorney costs are high. However, these could be reduced by using systems such as the EPO's automatic debiting system.



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